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# DEVELOPMENT AND INTERNATIONAL ECONOMIC COOPERATION

## Note by the Secretary-General

Pursuant to the request in paragraph (c) of General Assembly decision 46/461 of 20 December 1991, the Secretary-General has the honour to submit to the Assembly the report of the President of the Economic and Social Council (see annex) on the outcome of the informal exchange of views held during the substantive session of 1992 of the Council on the report of the Commonwealth Group of Experts on the Impact of Global Economic and Political Change on the Development Process (see A/C.2/46/12, annex, and Add.1).

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ANNEX

Outcome of the informal exchange of views held in the Economic and Social Council on the report of the Commonwealth Group of Experts on the Impact of Global Economic and Political Change on the Development Process

Report of the President of the Economic and Social Council

1. An informal discussion of the report of the Commonwealth Group of Experts took place during the substantive session of the Economic and Social Council, on 22 July 1992. A document containing the Executive summary of the report of the Commonwealth Group of Experts entitled "Change for the better: global change and economic development" was circulated to delegations (A/C.2/46/12, annex, and Add.1). An opening statement was made by the President of the Council. The exchange of views was started with a panel discussion. Commenting on the report were the following panel members: Mr. Arthur Brown, Governor, Bank of Jamaica, and Chairman of the Commonwealth Group of Experts, Mr. Göran Ohlin, former Assistant Secretary General for International Economic and Social Affairs, Ms. Alice Amsden, Professor of Economics, New School for Social Research, and Mr. Shafiqul Islam, Senior Fellow for International Economics and Finance, Council on Foreign Relations.

2. The Chairman of the Group of Experts opened the panelists' discussions. The report dealt with the following main elements of change in the 1980s:

(a) The rise of the debt burden of developing countries;

(b) The decline in net financial flows to developing countries;

(c) The decline in world savings and greater competition for them;

(d) The end of East-West tensions and the increase in the scope for reductions in military expenditures;

(e) Setbacks to progress in education, health and nutrition;

(f) Intensification of interdependence;

(g) Growth of regional integration;

(h) The increased salience of small groups of major countries (as the group of seven major industrialized countries) in international economic management;

(i) Changes in the orientation of domestic policies towards market forces and their repercussions for development cooperation;

(j) Democratization and reduction of statism;

(k) Increase in environmental degradation and awareness of the need to arrest it;

(l) Increased need for population policies;

(m) Growth of drug trafficking;

(n) Increased emphasis on the need for gender equality;

(o) The breaking up of countries and the increase in ethnic and tribal violence.

3. Taking into account all these developments at a time when it was also necessary to restore growth and development in many developing countries presented a major challenge. A new approach to international cooperation was needed if the opportunities provided by change were to be used beneficially to accelerate development and eradicate poverty.

4. The report of the Commonwealth Group of Experts was referred to by one of the panelists as a landmark. It represented a strong search for a vision and an interpretation of the enormous changes of recent years. In the panelist's view, during the eighteenth and nineteenth centuries industrialization had primarily been achieved by inventing new products and processes. In contrast, during the twentieth century learning had been the basis for industrialization in places such as Brazil, Japan, the Republic of Korea, Singapore and Turkey. When capital and technology were lacking, low wages were an important asset if late industrializing countries were to be competitive in manufacturing. However, experience in East Asia had shown that low wages (and devaluations) were insufficient to create a competitive advantage over the superior technology of, for example, Japan. Government intervention became, therefore, a necessary ingredient of late industrialization. Governments in East Asian countries subsidized and protected industries according to criteria of "reciprocity", that is, subsidies were contingent on productivity and export performance. That principle differentiated fast growing, rapidly industrializing countries from slower growing countries where subsidies had been handed out as "give-aways" and kept enterprises dependent.

5. The panelist stated that adjustment and stabilization programmes were becoming a feature in the developing world. The United Nations should contribute to designing standards of conditionality for aid in order to increase the accountability of aid. The policy conditions presented by the international financial institutions should not be assessed by those institutions alone. There should be the possibility of dissenting voices against a monopoly of views; for example, the United Nations should make an independent assessment of the development policies implemented.

6. Another panelist noted that the report of the Commonwealth Group of Experts was quite comprehensive, almost encyclopaedic, describing a large number of important changes, and yet in the end came up with proposals that were rather conventional. As an example, the panelist noted the reiteration

of the call for more official development assistance (ODA), which had failed to have much effect in recent decades. The logic of aid, the panelist noted, was in contradiction to the logic of independence. After 30 years, attitudes of donor countries had changed, become more complex, more inclined towards bilateralism. Moreover, there were currently difficulties in the industrialized countries. It was not that aid was not needed; however, without a renewal of growth in developed countries, the general political will and public opinion climate were not favourable to foreign aid. According to the panelist, it was frivolous to say that, given political will, the aid target of 0.7 per cent of GDP could be achieved. Particular political constellations explained those cases (like Sweden) where the target was achieved.

7. Another panelist was surprised that so little attention had been given in the report to policies at the domestic level in developing countries. Most recommendations were aimed at the North or the international community, and yet the ultimate responsibility for the citizens in a country lies in the country itself or its governing élite. There were cases in which developing countries were their own worst enemy. Developing countries had much to gain from improved domestic policies. Self-reliance could only be the consequence of domestic efforts and sound policies. The panelist expressed concern about aid dependency. Several decades of aid had not led to success in some countries and, on the other hand, success cases were not explained by aid.

8. Comments were made from the floor. The Chairman of the Group of 77 noted that aid dependency was not a state deliberately sought by developing countries. After all, the international economic environment was largely the result of the policies of developed countries. The Director of the Development Policy and Analysis Division, Department of Economic and Social Development, noted that the focus on domestic policy alone should not go as far as to neglect the importance of trade in succesful development as well as the need to liberalize and expand trade worldwide.

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